

Retiring Times

Volume 1 Number 3

State Employees

July 2002

Message from Vermont State Treasurer James Douglas

I want to reassure all of you that your pension fund is sound and your benefits are secure. My office has received dozens of phone calls from State employees who are concerned about the health of their retirement plan in the wake of the Enron and WorldCom scandals. It is unfortunate that press reports of losses in the pension fund caused you any worry, but your plan is just fine. In fact, The State Employees' Retirement Fund had a total return of 2.2% for the year ended March 31, 2002, which means that the fund increased by \$20 million since last April 1.

"My office has received dozens of phone calls from State employees... in the wake of the Enron and WorldCom scandals."

Let me explain how your pension system works. Yours is a defined benefit, or DB, plan. In a DB plan, your eventual benefit is a con-

tractual responsibility of the State. Your benefit is determined by your number of years of service and your final average compensation, NOT by investment performance. The assets of the plan are invested in both the stock and bond markets because it is the best method to accumulate additional assets.

Right now your plan has a market value that is 94% of all future liabilities. That means that if the plan were suddenly frozen, 94% of all the money needed to provide promised benefits to active and retired participants would already be there on a market value basis. Sounds pretty good, doesn't it? But the next part gets a little more difficult to explain.

The plan retains an actuary to project just what all those future liabilities will be. The actuary makes a lot of assumptions about how long retired people will live and what their benefits will be based on future salaries. In addition,

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Message from Director of Retirement Cynthia L. Webster

Our world changed on September 11 with the attacks on New York and Washington. Many of us have friends, family, or business associates in those areas. Some of us may have lost a loved one.

If anyone – you, a member of your family, a colleague, or a friend - is called to active duty during these troubled times, please save the following information on how to obtain retirement credit for time on active duty.

The personnel officer of the Department should report to us that an employee has been called to

active duty. This will notify us of the reason for the cessation of retirement contributions from the member. The individual does not need to contact us when he or she is called to active duty.

However, the individual should contact the Retirement Office as soon as possible after returning to work. He or she should let us know that they were called to active duty and that they have now returned to work. To be eligible for retirement credit, they must return to work within 90 days of discharge from active duty.

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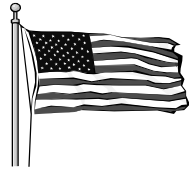
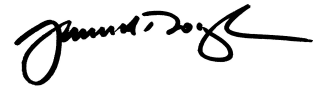
Treasurer's Message (continued from page 1)

the actuary projects asset growth at 8 ½% annual rate. These assumptions are very difficult to predict with complete accuracy, so to compensate both for changes in demographic statistics and investment market fluctuations, the actuary employs a five-year smoothing technique that recognizes only 20% of accumulated investment gains or losses in any one year. After that calculation, the actuarial valuation of assets is \$955 million, or 93% of all future liabilities – still a very well funded plan.

Since three of the last five years had accumulated gains, there are approximately \$10 million more in

additional gains waiting to be absorbed into the system on an actuarial basis – much more than the \$1 million loss in Enron in the fourth quarter. I wish I could report that none of the investment managers had invested in Enron, and I am sure that they wished they had not as well. However, I am pleased to report that our exposure to World-Com was limited to a small investment in a bond portfolio. Thus, the retirement plan remains very healthy and your benefits remain secure.

Please call my office if you have further questions.



July 4, 1776 - July 4, 2002

226 Years of Independence



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Retiring Times is published quarterly by the Vermont State Employees' Retirement System.

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Director's Message (continued from page 1)

We will need a copy of the DD214 or other discharge paper, the day that they began active duty, and the day that they finished active duty. We will then determine the amount of retirement credit that they have earned while on active duty.

The retirement credit will cover all periods of active duty, whether it is just a few weeks or a few years. The retirement credit will be based upon the full-time or part-time work that they were doing prior to being called to active duty. (If the individual was not an active member and contributing to the retirement fund at the time that he or she was called to active duty in the military, then retirement credit cannot be granted when that individual finishes active duty military service.)

Third, if a member is injured while on active duty in the military and is unable to return to their employment,

they should still contact us. The intent of the law is to give them full credit toward retirement, and we will try to fulfill that intent of the law. We would also consider disability retirement benefits for members who are permanently disabled and unable to work. A disability retirement would provide a retirement pension upon confirmation of their disabled status by the Board of Trustees. Their pension amount would be determined by the number of years of employment for the State of Vermont.

In summary, the individual only has to return to work within 90 days of discharge, contact the Retirement Office after they return to work, and provide a copy of the DD214 or other discharge paper. If these three things are done, retirement credit will be given for all active duty time in the reserves or national guard.

Cynthia L. Webster

Calculator for the Purchase of Service Credit

The cost of purchasing service credit can now be estimated through a calculator on the retirement office web page. To reach the web page, go to www.tre.state.vt.us, click on State Employees' Retirement System on the far left side column of the page, click on Calculator. You will then be guided through the process.

For those of you who don't have access to the internet we have designed this form to help you estimate your own service credit purchase. For assistance, call the Retirement Office at 1-800-642-3191 (VT only) or 802-828-2305.

Available for purchase

Withdrawn Prior Membership
Municipal employment in any state

State Employment in any state
Teaching service in any state

- Should you qualify, you can purchase up to a combined total of 10 years of service credit from the list above, and;

Military Service

Peace Corps

VISTA

- Should you qualify, you can purchase up to 5 years of service credit from the list above after you have reached a total of 15 years of earned/purchased service credit, and;

"Air Time"

- Once you have reached a total of 25 years of earned/purchased service credit, you can purchase up to 5 years of air time.

Calculation

If you work part time, please contact the Retirement Office for an estimate.

Current Salary \$ _____
Age Factor (From Chart Below) x _____
Cost per Year = _____
Years Available/Needed x _____
Total Cost = _____

The following calculation only works for full time members.

Calculate your closest age. For example, if you are age 54 + 6 months or more, your closest age is 55. If you are age 54 + 5 months or less, your closest age is 54.

Age	Factor	Age	Factor	Age	Factor	Age	Factor	Age	Factor
21	0.11197	31	0.11968	41	0.13768	51	0.17052	61	0.19095
22	0.11211	32	0.12107	42	0.14003	52	0.17521	62	0.18699
23	0.11243	33	0.12255	43	0.14252	53	0.18019	63	0.18290
24	0.11289	34	0.12413	44	0.14520	54	0.19539	64	0.17870
25	0.11351	35	0.12580	45	0.14808	55	0.21199	65	0.17439
26	0.11425	36	0.12755	46	0.15119	56	0.20881	66	0.16998
27	0.11512	37	0.12940	47	0.15454	57	0.20551	67	0.16550
28	0.11610	38	0.13133	48	0.15814	58	0.20207	68	0.16094
29	0.11719	39	0.13335	49	0.16200	59	0.19850	69	0.15632
30	0.11839	40	0.13546	50	0.16612	60	0.19479	70	0.15165

This form is designed to provide a close estimate. If you wish to make a purchase of service credit, please contact the retirement office for an exact cost.

Deferred Compensation Changes

The State of Vermont is changing its administrator for the Deferred Compensation program. BenefitsCorp will be replacing Citistreet on October 1, 2002, although the actual transition will start in September.

Major plan features include reduced fees; year-round education, enrollment, and counseling services; a fully interactive Web site to review and modify Deferred Compensation accounts; and a toll-free number for managing accounts.

As part of the transition, no changes can be made in Deferred Compensation accounts from September 23 through October 14. This allows time for Citistreet to transfer account information to Bene-

fitsCorp and for BenefitsCorp to validate all of the information that it has received. Your account and investments will remain exactly the same under BenefitsCorp as it was under Citistreet.

BenefitsCorp will be holding informational sessions throughout the state during the first two weeks of September to fully explain all changes to the Deferred Compensation program. Everyone with a Deferred Compensation account is strongly encouraged to attend one of these sessions. BenefitsCorp will send a schedule of the sessions and additional information on changes in the Deferred Compensation program to all state employees in August.

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